

The Source

Serving the Needs of Indiana's Multifamily Housing Industry



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Winter 2006

Welcome to *The Source*!

Dear Reader,

Welcome to the first issue of *The Source*. This quarterly newsletter provides owners and agents with the latest information on issues related to Project-Based Section 8 Contract Administration as well as contact information for both Indiana Housing and Community Development Authority (IHCA) and Indiana Quadel (INQ), partners in serving the needs of Indiana's Multifamily Housing industry.

In this issue, you will read about the new HUD-9834 Management Review Form that went into effect February 1st and what it means for you, as well as two HUD publications issued at the end of 2005 that affect eligibility and income requirements for your residents: a higher education student rule that changes the eligibility and income calculations for college students and a Medicare Notice that provides guidance on how

owners/agents (O/As) must determine annual and adjusted income for Medicare beneficiaries enrolled in the new Medicare Prescription Drug Plan. This newsletter also includes Questions and Answers that O/As have sent through the www.quadel.com website.

We hope *The Source* will help strengthen our partnership with you and become a valuable resource. We look forward to hearing your feedback on the articles in this issue and what you would like to see in future editions. As always, we are committed to providing the services and technical assistance to make our clients successful.

Best wishes,

Mark Young, Housing and Community
Development Manager, IHCA
Bev Jackson, Managing Director, INQ

NEW HUD-9834 MANAGEMENT REVIEW FORM

Effective February 1, 2006, use of Revised Form HUD-9834 Management Review of Multifamily Housing Projects became mandatory for all management reviews. The revised form (available in fillable format at http://www.hudclips.org/sub_nonhud/cgi/pdfforms/9834.doc) contains some new questions, and some questions asked in prior reviews have been eliminated. Owners and agents will find that management and occupancy reviews may take a little longer as staff and Quadel reviewers become familiar with the new questions and forms. Please note when reviewing the entire form that some questions are reserved for HUD staff use only and will not be addressed in the review performed by INQ and other PBCAs.

New Management and Occupancy Review Summary Report Format

The revised 9834 Form includes new content and a new format for the management and occupan-

cy review summary report. Notable changes are:

1. A new look to the report. The report is longer than the previous version and contains the following parts:

- A rating summary sheet which gives the rating for each category and an overall rating (PBCAs do not rate Financial Management/Procurement or the Owner/Agent Participation section of General Management Practices);
- A summary of findings and target completion dates for corrective actions. Each finding must now describe the following: the condition, which describes the problem or deficiency; the criteria, which cites the statutory, regulatory, or administrative requirements that were not met; the cause, which explains why the condition occurred; the effect, which describes what happened because of the condition; and the required corrective actions;

- A section for comments and concerns.

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HUD Tools on the Web

HUDCLIPS

This news information service offers HUD clients FREE access to HUD's official repository of policies, procedures, announcements, handbooks, forms, and other materials.

<http://www.hudclips.org>

HUD National Calendar of Events

This calendar provides information on various events related to affordable housing, homeownership and industry-related training taking place across the country.

<http://www.hud.gov/calendar/>

RHIIP Initiative

This HUD web page provides the most current information regarding HUD's RHIIP initiative. Make sure to sign up for the new Multifamily RHIIP Tips Listserv!

<http://www.hud.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm>

HUD Income Limits

Fiscal year 2006 Income Limits have been published by HUD. These income limits are effective March 8, 2006.

<http://www.huduser.org/datasets/il.html>

2. An additional rating. Above Average has been added as a rating category for Management and Occupancy reviews. Categories on the summary report and the overall rating will now be assessed on the following scale:

- Superior
- Above Average
- Satisfactory
- Below Average
- Unsatisfactory
- Not Rated

3. Reorganized reporting categories. The new revised form maintains many of the same reporting categories as the previous version, but is now organized as:

- A. General Appearance and Security
- B. Follow-up and Monitoring of Project Inspections
- C. Maintenance and Standard Operating Procedures
- D. Financial Management/Procurement (not rated by PBCAs)
- E. Leasing and Occupancy
- F. Tenant/Management Relations
- G. General Management Practices

New FHEO Requirements

Addendum B of the 9834 form includes a new FHEO checklist. The checklist includes portions the owner completes in advance of the on-site review and portions that are completed by the reviewer while at the site. Part A of Addendum B will be provided to owners/agents in advance of the on-site review. The certifications contained in Part A must be completed and signed by the owner or the owner's designated representative and presented to the reviewer on the day of the review. Part D is a list of documents that must be provided to the reviewer on the day of the review or forwarded to FHEO within ten days of the review. Note: Quadel MOR Specialists will provide the FHEO mailing address to those O/As deciding to forward information to FHEO.

Approach to Owner Responses

Owner responses must confirm and describe what actions were taken to correct all findings. Additionally, the response must now describe how and what systems, controls, policies, and

procedures were adjusted or changed to assure that the errors and omissions do not reoccur.

MEDICARE PRESCRIPTION DRUG PLAN-PART D (INCOME CALCULATION & VERIFICATION GUIDANCE)

HUD Notice H-2005-21 (found at http://www.hudclips.org/sub_nonhud/cgi/pdfforms/05-21H.doc) was issued on December 9, 2005 to provide guidance on the new Medicare Prescription Drug Plan-Part D (permanent program) that became effective on January 1, 2006. Owners/Agents must use the guidance in Section D of this Notice when determining annual and adjusted income for Medicare beneficiaries enrolled in a Medicare prescription drug plan. Owners/Agents should read the Notice in its entirety.

Guidance for the Medicare Approved Prescription Drug Discount Card and Transitional Assistance or MMA (temporary program) was issued in HUD Notice H2004-24 and is covered briefly in Section E of Notice H-2005-21. The temporary program started in June 2004 and will end May 15, 2006. Benefits for the temporary program which some residents currently participate in will end May 15, 2006 or when they enroll in a Medicare prescription drug plan under Part D of Notice H-2005-21, whichever date is first.

Once a resident enrolls in Medicare Part D or beginning May 15, 2006, the guidance in Section E no longer applies and must not be used for rent calculation and verification purposes.

Highlights of new rules for calculating rent are as follows (See Section D of the Notice):

- The low-income subsidy received to assist low-income persons in paying for their Medicare prescription drug plan costs must be excluded as annual income when calculating rent or assistance.
- The actual amount of unreimbursed out-of-pocket expenses for prescription drugs must be treated as a standard medical deduction when determining the family's medical expenses deduction.
- Owners/Agents must follow guidance on deducting medical expenses found in HUD Handbook 4350.3, REV-1, Change 1. Premiums for participation in a Medicare prescription drug plan are an allowable medical expense.

- Residents do not have to report that they have enrolled in a Medicare prescription drug plan until the time of their next recertification.
- Owners/Agents must verify whether or not applicants and residents are enrolled in a Medicare prescription drug plan.
- Owners/Agents must verify from third party sources the amount of unreimbursed out-of-pocket expenses and the amount of any premium.

Effects on Residents

When a resident enrolls in the new Medicare Part D prescription drug plan or on May 15, 2006 (whichever comes first), medical deductions for prescription drugs are calculated the way they were prior to HUD Notice H2004-24. Actual out of pocket costs are counted as a medical expense. For example, if a prescription drug costs \$100 per month, but with their Medicare Part D prescription drug card the resident pays \$50, then \$50 is used to calculate medical expenses. [Under the HUD Notice H2004-24 rules, the pre-discount cost of \$100 would have been used.]

Residents currently participating in the temporary MMA program may see an increase in their portion of the rent when they convert to the new Medicare Part D or when the current exclusion expires on May 15, 2006. The good news is the change does not need to take effect until the tenant's annual recertification. It is important that O/As begin to educate residents who participate in Medicare about this change and the impact on their rent.

HUD ISSUES FINAL RULE ON STUDENT ELIGIBILITY

On Friday, December 30, 2005, HUD published a new rule in the Federal Register affecting the eligibility of students receiving Section 8 assistance. The rule stems from news reports in June 2004 that University of Iowa students (20% of which were reportedly scholarship athletes) were receiving Section 8 assistance. Senator Tom Harkin (D-Iowa), once aware of the issue, introduced a bill on July 20, 2004 requesting that HUD close the loophole that provided Section 8 subsidy to students otherwise able to afford housing.

Although HUD released revised program eligibility guidance in August 2005, it did not comprehensively change the requirements for students and on October 18, 2005, Senator Harkin submitted new legislation that was signed into law by President Bush on November 30th. HUD, which was required to implement student eligibility provisions within 30 days of the new law, published the Final Rule in the Federal Register on December 30th.

How have the Rules Changed?

The new rule has two significant implications for students and Section 8 property managers/owners:

1. It makes a distinction in program eligibility for students 23 years of age or younger, restricting their ability to receive Section 8 subsidy, and
2. It counts any financial assistance received by the student, in excess of that received for tuition, as income for the student, except if the student is at least 24 years of age and has dependent children.

HUD Clarification Underway

HUD's new student eligibility rule is raising questions in the affordable housing industry because of language that does not clearly indicate the relationships between eligibility criteria. For example, the rule states, "No assistance shall be provided under Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) to any individual who—

- (1) Is enrolled as a student at an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002));
- (2) Is under 24 years of age;
- (3) Is not a veteran;
- (4) Is unmarried;
- (5) Does not have a dependent child; and
- (6) Is not otherwise individually eligible, or has parents who, individually or jointly, are not eligible, to receive assistance under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f)."

Does a student enrolled at an institution of higher education need to meet ALL of criteria (2) through (5) or just one of them? How does an O/A verify the eligibility of the student's parents? If a student meets one of criteria (2) through (5), for example, if she is a veteran, do her parents still need to be eligible? Since this rule only applies to Section 8, owners also participating in non-Section 8 subsidy programs will need to have different definitions of income and eligibility for non-Section 8 residents (such as Section 236 residents).

HUD intends to provide clarification on industry questions such as:

- How a dependent is defined,
- If part-time students are included. Note: At the National Council of State Housing Agencies (NCSHA) January Contract Administration Workshop, HUD clarified that the rule includes part-time students, but no written clarification had been provided,
- If assistance will be prorated for mixed households,
- If there is an appeal process for students that are now considered ineligible, and
- If current leases allow for termination of assistance.

HUD has received questions from the industry and has indicated that it is developing further guidance on this new rule. Stay tuned to *The Source* for more developments.

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ASK THE SOURCE!

In each issue of *The Source*, we publish answers to questions frequently asked by owners and agents. Please submit your questions through the Ask a Trainer! feature at www.quadel.com. Let us be your resource!

Q. What are the verification requirements when a tenant reports she/he is no longer receiving child support payments in the amount ordered by the court?

A. The tenant must show proof that she/he is no longer receiving this payment and that legal action is being taken to collect the amounts due, including filing with the appropriate court or agency responsible for enforcing child support payments. Appropriate documentation would be local court or agency verification that the individual is not receiving the payments.

Q. One of our tenants has a young daughter who is a person with disabilities. There is a trust in the daughter's name that was set up by a grandparent but no one has access to the funds until the daughter is 21. Do we have to count the trust as an asset?

A. No. It is not counted as an asset because the tenant does not have access to these funds.

Q. A tenant received more Supplemental Security

Income (SSI) than the amount for which he qualified. He is now paying back the amount owed through a monthly deduction from his SSI check. Which amount should be used to determine annual income – the gross SSI amount, or the reduced amount of SSI the tenant currently receives?

A. Count what the family is currently receiving after Social Security deducts the amount owed. For example, if a tenant's monthly SSI of \$250 is being reduced by \$25 per month for six months, calculate the SSI income of \$225 per month for six months and \$250 per month for six months.

Q. Can an eligible person who requires a live-in aide select a relative to be the live-in aide?

A. Yes. A live-in aide is a person who resides with one or more elderly persons (at least 62), near elderly persons (at least 50) or persons with disabilities. The live-in aide must meet certain criteria. She/He:

- Must be determined essential to the care and well-being of the person(s);
- Must not be obligated for the support of the person(s); and
- Must be a person who would not be living in the unit except to provide necessary supportive services.

The family may select anyone it wishes, including relatives, to be the live-in aide, so long as that person meets the above criteria, as well as the appropriate criminal and sex offender screening.

Thank you for reading and look for the Spring 2006 issue of *The Source*!
If you have suggested topics for future newsletters, please email us at
INQ@inquadel.com.